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INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE  
RUEHME/AMEMBASSY MEXICO 6811  
RUEHZP/AMEMBASSY PANAMA 2219

C O N F I D E N T I A L SAN SALVADOR 000182

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E.O. 12958: DECL: 02/27/2019

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SUBJECT: WHA/CEN DEPUTY DIRECTOR WOLFE HIGHLIGHTS U.S.  
ENGAGEMENT UNDER MERIDA AND PATHWAYS

REF: SAN SALVADOR 144

Classified By: Charge d'Affaires Robert I. Blau, Reasons 1.4(B),(D)

¶1. (C) SUMMARY. During a February 11-14 visit to El Salvador, WHA/CEN Deputy Director David Wolfe highlighted U.S. engagement under the Merida Initiative and discussed political and economic issues leading into the March presidential election. GOES officials reaffirmed their commitment to Pathways to Prosperity, and expressed hope for high-level U.S. participation in the next Pathways ministerial. In meetings with Wolfe, political and economic leaders discussed an increasingly tight presidential race, whose outcome may hinge on the struggle for swing voters in final weeks of the campaign. Private sector leaders noted that political uncertainty is affecting the economy as El Salvador will increasingly feel the effects of the global economic downturn. END SUMMARY.

¶2. (U) In project site visits and a press interview, Wolfe highlighted U.S. support for public security projects under the Merida Initiative. Wolfe visited the Transnational Anti-Gang Task Force and the International Law Enforcement Academy, where he discussed current programs and future priorities under Merida. In a press interview that received front-page coverage in La Prensa Grafica, Wolfe emphasized our common interest in fighting transnational crime and underscored U.S. support under Merida.

EL SALVADOR COMMITTED TO MERIDA AND PATHWAYS  
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¶3. (C) In a meeting with Werner Romero, General Director of Foreign Affairs in the Foreign Affairs Ministry (MFA), Wolfe noted there is a bipartisan U.S. commitment to fund the Merida Initiative for two more years. Romero said the MFA is closely involved in coordinating Merida implementation and promoting regional cooperation in public security. He commented that the recently signed El Salvador-Guatemala framework agreement for a customs union would demand greater law enforcement cooperation between the two countries as borders remain porous.

¶4. (C) Romero said the GOES is fully committed to Pathways to Prosperity, which he called a "crucial initiative" to build upon El Salvador's trade agenda with the United States and other Pathways countries. Romero noted that not everyone was equally committed to the initiative and they were looking for signs of support from Secretary Clinton. He reiterated the GOES willingness to schedule the next Pathways Ministerial to accommodate Secretary Clinton's schedule (ref A).

¶5. (C) Romero asked if there was any U.S. reaction to the Salvadoran Defense Ministry's proposal to expand the agreement for the Cooperative Security Location (CSL). Wolfe said the U.S. was studying the proposal and was seeking clarification of the reasons GOES has not extended the

existing agreement by exchange of notes right now.

¶6. (C) Romero expressed appreciation for U.S. observation efforts in the January 18 municipal and legislative elections. Wolfe noted that our observation team for the March 15 presidential vote would be augmented by monitors from Washington and regional U.S. Embassies. Romero said this type of effort would be extremely important in the event of a close, disputed result.

¶7. (U) In a meeting with Jorge Guzman, Director of the Ministry of Economy, CAFTA Office, Wolfe queried Guzman about commercial trends and trade capacity building programs under CAFTA-DR. Guzman noted that exports and imports both rose roughly 8% in 2008, including a nearly 20% rise in "non-traditional" exports. Guzman also praised CAFTA-DR labor, environment and customs programs and emphasized the importance of public outreach to spread these CAFTA success stories. Wolfe underscored the importance of sustained political commitment to these programs, since labor and environmental problems can undermine support for CAFTA-DR.

#### CANDIDATES VIE FOR SWING VOTERS

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¶8. (C) During a February 12 lunch, 6 prominent economists and political analysts discussed several factors that may sway a close presidential race. Several said that a recent rise in negative advertising is likely to continue, but these attacks may be risky if they focus too much on personal attacks. Economist Luis Membreno noted that evangelical voters represent an important bloc of swing voters who will play an important role in this election.

¶9. (C) Political analyst Joaquin Samayoa commented that this contest is too close to call. Former Finance Minister Manuel Enrique Hinds opined that ARENA candidate Rodrigo Avila may have a slight edge due to momentum from ARENA's victory in the San Salvador mayoral contest on January 18 and El Salvador's conservative voting record in presidential elections. Several analysts voiced concern about potential for violence if a close victory by either side is difficult for the losing party to accept.

#### POLITICS AFFECTING BUSINESS

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¶10. (U) During the lunch, several economists expressed guarded optimism about El Salvador's ability to weather the global economic downturn. Luis Membreno noted that El Salvador's next president will inherit a host of challenges including unsustainable subsidies, liquidity problems and declining economic trends, but he suggested they will be able to use international loans to support counter-cyclical spending. Manuel Enrique Hinds suggested remittances may be resilient due to flexibility of Salvadoran workers and exports focused on low-value products may be less vulnerable to declining U.S. demand.

11 (C) In a separate meeting, Former Central Bank President Rafael Barraza warned that El Salvador's worst economic news lay ahead, as El Salvador's economy typically follows U.S. trends with a six-month lag. Barraza noted that exports grew while remittances fell during the fourth quarter of 2008, but he commented that El Salvador's political cycle may accelerate the impact of the world economic downturn. Barraza lamented the gridlock that has resulted from El Salvador's polarized politics, suggesting it leads those in power to look ways around the rules, such as trust funds that have replaced sovereign lending.

¶12. (C) AmCham President Armando Arias lamented the "roller coaster" of populist economic policies that AmCham members have encountered during the two years leading up to the March election. He cited unsustainable energy subsidies and proposals to cap interest rates as two prominent examples. Though he criticized these ARENA policies and the party's

undemocratic candidate selection process, Arias said the business community's confidence in ARENA and its team was boosted by the recent issuance of their government plan. He underscored private sector unease over the (left-wing) FMLN party leaders who may control government if their candidate wins. Arias voiced apprehension about FMLN candidate Mauricio Funes, temperament and intolerance of criticism, citing an incident where Funes privately threatened to "go after" Arias if he would not publicly retract a statement characterizing some of Funes' remarks as "vague".

#### ARENA AND FMLN CONVEY CONFIDENCE

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¶13. (C) Wolfe met with Salvadoran Ambassador to the U.S. Rene Leon, coordinator of ARENA's political platform, who expressed guarded optimism in Rodrigo Avila's chances in the March election. Leon cited the ARENA victory in San Salvador's mayor race, the withdrawal of other candidates, and Avila's endorsement by San Miguel mayor Will Salgado, as signs of Avila's rising momentum in the final weeks of the campaign. He argued that ARENA's victory in San Salvador broke the FMLN's aura of inevitability. Leon said that centrist candidates from the National Conciliation Party (PCN) and Christian Democratic Party (PDC) pulled out primarily for lack of campaign funding but he acknowledged there "may have been some negotiations and some promises" from ARENA. (Reftel)

¶14. (C) FMLN Deputies Hugo Martinez and Sigfrido Reyes told Deputy Director Wolfe February 13 that the FMLN continues to fight for swing voters who constitute roughly one-third of the voter base. Reyes said that, despite tightening poll numbers, the FMLN remains confident of a Mauricio Funes victory in the March 15 presidential elections. He cited a twenty percent increase in votes received by the FMLN in the legislative elections from the 2006 returns (versus an eight percent increase for ARENA) as evidence that the FMLN is still gaining momentum.

#### FMLN CRITICIZES ELECTORAL PROCESS

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¶15. (C) Martinez and Reyes criticized flaws in the electoral process, and warned of the potential for fraud. Martinez cited electoral deficiencies reported by the Ombudsman for

Human Rights, notably the large numbers of dead citizens appearing on electoral rolls. He mentioned that on February 11, the right-leaning parties passed a measure to allow U.S.-resident voters with valid unique identification documents (DUIs) to return to El Salvador to vote. The reform gives those potential voters polling places in which to vote, even if their DUIs show U.S. addresses, which Martinez said opens the door to fraud. He said the FMLN asked that ultraviolet technology be used to examine DUIs, but ARENA strongly rejected this proposal.

¶16. (C) Both Martinez and Reyes claimed that fraud took place in the January 18 elections. Martinez said there were many reports from border regions of foreigners crossing into El Salvador to vote. Reyes alleged that ARENA was using the names of Salvadorans who are in the U.S. with TPS status to create new DUIs for the purpose of fraud. Neither offered evidence to support their claims.

¶17. (C) Martinez said he was pleased with the overall observation effort, and he appreciated that the U.S. government has behaved with respect and impartiality through the election period. Reyes emphasized that observer complaints are not enough, but government bodies must make decisive rulings to prevent fraud. Wolfe told Martinez and Reyes that additional U.S. observers will be sent for the March election.

#### COMMENT

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¶18. (C) As Wolfe emphasized continuity in U.S. cooperation, his meetings highlighted the importance of the March elections in determining El Salvador,s future direction. With many concerned over the potential for post-electoral violence, the GOES and both main parties have underscored the importance of election observation missions.

¶19. (U) This cable has been cleared by WHA/CEN Deputy Director David Wolfe.  
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